Voice of the American Shareholder

rate of S&P 500 CEO pay actually slowed last year over the previous year, according to the Corporate Library. In 2006 median annual compensation increased 9.3 percent over 2005. With equity awards thrown in, the median CEO package increased 23.6 percent.

"One reason for smaller gains could be falling stock prices," says Paul Hodgson, a senior research associate with the Corporate Library, "which rendered many stock options underwater."

The slowdown in CEO pay increases is also the result of new Securities and Exchange Commission rules effective last year that require more-detailed reporting about executive compensation, says Stephen Davis, project director for the Millstein Center for Corporate Governance and Performance at the Yale School of Management in New Haven, Conn. Another factor dampening the increases, he adds, is pressure from shareholders demanding CEOs be paid based on their performance.

Last year Aflac's board of directors adopted a resolution giving shareholders approval of executive compensation. In May 2008 Aflac conducted the first stockholder vote on executive pay by a major U.S. company, and 93 percent of shareholders approved CEO Dan Amos' $12 million compensation package. Shareholders have filed similar "say on pay" proposals at more than 90 U.S. companies since last year.

The votes by stockholders on executive pay are nonbinding, but analysts say a steady movement toward majority rule on director elections is giving teeth to shareholder opinion.

"Until recently, most companies had Soviet-style elections, meaning that a director that fell out of favor could stay in place with just one vote cast for him or her," Davis says. "For the first time in the history of corporate America, votes for directors are meaningful.

"So if a board decides to ignore a clear signal from shareholders that they've got executive pay wrong, they may very well see consequences."

For its CEO pay research, the Corporate Library analyzed executive compensation data from 614 companies that filed proxy statements in the first quarter of this year. B

Footnotes

How Long Is Long Term?

Time Keeps on Slippin'

by Linda Goin

When tech stocks were going gangbusters a few years back, I picked one that I had watched for all of two weeks and put every cent into that puppy. Imagine my shock the next morning when I discovered I had made $800 overnight.

The same thing happened a few years later. I put all my discretionary cash into a "hot" stock and made $900 while I slept. So you might imagine my difficulty with the concept of long-term investing, especially when my current long-term holdings can't touch my overnight successes.

I'm a failure, in fact, at long-term investing. I always enter the market right before it slides downhill, and I always need to sell some stock holdings to pay for a new toilet or some other necessity before the market has time to head north again. Mainly, though, I fail because I'm not sure exactly how long this long-term investing should last.

A newscaster this past week defined long-term investing as "longer than five years." I read elsewhere it meant more than 10 years. Warren Buffett — the billionaire who lives in the same house he purchased in 1958 for $31,500 — probably believes it lasts longer than his mortgage.

To a student, college represents a long-term investment. Four years is an eon to a teen-ager. Then again, so is that three-month stint at the local burger joint during summer break. New parents look at 18 years as a long-term investment, because that's when their child will most likely leave home. But soon those parents realize that four years of college arrive after those 18 years, and they begin to recognize their mortality: Will they live through the next 22 years?

According to the Death Clock, a quick online survey, I will die on Wednesday, Jan. 25, 2034. This means I might be around for that newborn's college graduation, and it also means I have a quarter-century left to devise yet another long-term investment strategy.

The concept of long-term investing, though, changes for those over 50. Take the time-honored notion of a person's ability to increase her earnings exponentially if she invests early in the stock market. If, say, two people invest $2,000 per year at 8 percent interest, the 25-year-old will make, well, much more money than the person who begins to invest at age 55. The younger person — in theory — has more time to enjoy the value of compound interest.

But time is slippery (as are interest rates). For instance, the average human sleeps six to eight hours per night. If you add it up, that means sleep takes up a full third of a person's lifetime. Sleep makes long-term investments, by any definition, seem short. They are, in the long run, relative — which is why I always keep one eye open for the possibility of another one-night wonder. B